Service Plan

FISCAL 2005/06 – 2007/08

British Columbia Lottery Corporation

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January 21, 2005

The Honourable Rich Coleman
Minister of Public Safety and Solicitor General
Province of British Columbia

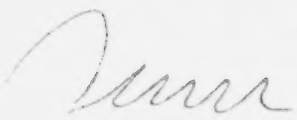
Minister:

On behalf of the Board of Directors and staff, I have the honour to present to you the fiscal 2005/06 – 2007/08 Service Plan of British Columbia Lottery Corporation.

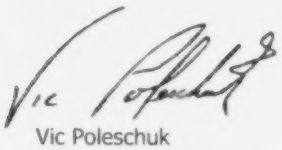
T. Richard Turner
Board Chair
British Columbia Lottery Corporation

Accountability Statement

The fiscal 2005/06 – 2007/08 British Columbia Lottery Corporation Service Plan was prepared under our direction in accordance with the *Budget Transparency and Accountability Act*. We are accountable for the contents of the plan, including the selection of performance measures and targets. The plan is consistent with Government's strategic priorities and overall Strategic Plan. All significant assumptions, policy decisions and identified risks, as of January 21, 2005, have been considered in preparing the plan. We are accountable for ensuring the British Columbia Lottery Corporation achieves its specific goals identified in the plan and for measuring and reporting actual performance.



T. Richard Turner
Board Chair



Vic Poleschuk
CEO

Message from the CEO

On behalf of the Board of Directors and employees of British Columbia Lottery Corporation (BCLC), I am pleased to present the Corporation's fiscal 2005/06 – 2007/08 Service Plan.

For over 30 years, BCLC has provided high-quality gaming entertainment that generates income for Government, charitable and community programs throughout British Columbia and the 2005-08 Service Plan continues this mission.

BCLC employees, along with our valued private sector business partners, work together as a cohesive team and are proud of the revenues generated for vital public, charitable and community programs. In fiscal 2004/05, BCLC will generate $850 million in net income for Government, distributed as follows:

- $490 million to support health, education, social and other government programs;
- $147 million dedicated directly to health care special programs;
- $133 million distributed to over 5,000 charitable and community organizations for programs, services and projects that benefit British Columbians throughout the province;
- $68 million distributed to municipalities for community capital and operating programs; and
- $4 million dedicated to fund special programs and treatment services to address problem gambling.

We will continue to keep British Columbians informed of where the money goes via public awareness programs and on our Web site at www.bclc.com.

In addition to funding beneficial public service programs, the BCLC team is also proud of the significant economic contributions generated, including over $645 million in prizes paid to British Columbians, $410 million paid to our lottery, casino and bingo partners, and over $175 million in the purchase of equipment, goods and services. The gaming industry in British Columbia is responsible for the direct employment of more than 8,500 people and over 5,000 indirect jobs within the province. In delivering these economic benefits, we are committed to upholding the highest standards of fairness, honesty and integrity in our mandate to conduct and manage gaming in British Columbia.

Our mission is not only to provide high-quality gaming, but also to ensure that it is provided in a socially responsible manner. BCLC will continue to take a major leadership role in the British Columbia Partnership for Responsible Gambling in ensuring that appropriate responsible gambling awareness, education and research programs are in place and that appropriate treatment programs are available for the small percentage of the adult population who experience gambling problems.

Gaming entertainment is becoming increasingly competitive and complex with new challenges and opportunities to address. Our Service Plan is designed to meet these challenges in order to ensure that British Columbians will continue to benefit from gaming revenues generated in our province.

In accordance with the requirements and spirit of the *Budget Transparency and Accountability Act*, BCLC is pleased to present our Service Plan for the period April 1, 2005 to March 31, 2008.

Vic Poleschuk
President and CEO

Corporate Governance

AUTHORITY

British Columbia's gaming industry is operated and regulated under the authority and direction of the Minister responsible for gaming, the Minister of Public Safety and Solicitor General.

By order-in-council, Government appointed a new BCLC Board of Directors September 26, 2001.

BOARD OF DIRECTORS

The Board provides stewardship and ethical leadership by overseeing management of the Corporation's affairs with a view to the best interests of the Corporation and long-term interests of the shareholder, the Government of British Columbia.

In carrying out the mandate of the Board, each director is required to act in accordance with a fiduciary duty, duty of care and conflict of interest duty.

CHAIR

The Chair is the presiding director and is responsible for the leadership and effective performance of the Board. The Chair is appointed by the Lieutenant-Governor in Council and is the liaison between the Board and the Minister responsible for BCLC.

BOARD COMMITTEE STRUCTURE

BCLC Committees are responsible for advising and formulating recommendations to the Board. From time to time, the Board of Directors may establish committees as needed.

Each committee chair is appointed by the Board and is responsible to report directly on the committee's deliberations, findings and recommendations.

The following committees have been established:

STANDING COMMITTEES

Audit

- Liaises between the external and internal auditors and the Board
- Oversees the review of the Corporation's financial operations by the external auditors and makes a recommendation to the Board with respect to approval of the audited financial statements
- Oversees the review of the Corporation's financial reporting, information systems, risk management and internal controls

Governance and Corporate Social Responsibility

- Reviews the policies and practices of the Board and makes recommendations regarding Board effectiveness
- Examines and make recommendations regarding good corporate governance practices throughout the Corporation
- Oversees corporate social responsibility programs

Human Resources and Compensation

- Examines the Corporation's strategies and practices that relate to human resource and compensation matters and succession planning issues and provides advice on these matters to the Board for consideration
- Reports to the Board as a whole with respect to compliance with current government directives and initiatives, including the Public Sector Employers' Council and the Crown Corporation Employers' Association

Marketing and Sponsorship

- Provides support to the Board during the strategic planning process with respect to the marketing components of the strategic plan
- Reviews the overall marketing and sponsorships, strategies and guidelines that will govern the Corporation's role on brands, business units and sponsorships
- Monitors the Corporation's performance against the marketing strategies and guidelines

Organizational Overview

CORPORATE MANDATE

Pursuant to amendments to the Criminal Code of Canada in 1969 and enabling legislation, British Columbia Lottery Corporation (BCLC) was incorporated on October 25, 1984 and is continued under the *Gaming Control Act* of British Columbia (2002).

As an agent of the Crown, the Province has designated BCLC as the authority to conduct and manage gaming within British Columbia. This includes the marketing of nationwide and regional lottery games in association with other provinces of Canada. Under current provincial gaming legislation, BCLC's mandate includes the following responsibilities:

- Conduct, manage and operate lottery gaming
- Conduct, manage and operate casino gaming
- Conduct, manage and operate commercial bingo gaming
- Manage the horseracing marketplace

BCLC is accountable to its shareholder (Government) through the Minister of Public Safety and Solicitor General. A Board of Directors appointed by Government guides BCLC in fulfilling its mandate.

Gaming Policy and Enforcement Branch (GPEB), the independent regulatory branch of the Ministry of Public Safety and Solicitor General, is responsible for the development of policy, regulation and enforcement of the *Gaming Control Act*.

SCOPE OF OPERATIONS

With its headquarters in Kamloops and a sales and marketing office in Richmond, the Corporation employs a full-time equivalent (FTE) of approximately 570. This includes employees based in our two offices, as well as lottery, casino, and bingo support staff in gaming operations throughout the province.

The Corporation is projecting sales of $2.1 billion and net income of $850 million in fiscal 2004/05.

The Corporation contracts for the sale of its products through a private sector network of about 4,600 lottery retailers, 19 casinos in operation, and 31 commercial bingo halls. Lottery retailers receive an industry-standard commission rate to sell the Corporation's online and traditional lottery products. The Corporation has partnered with eight private sector casino service companies. They provide, under contract, both casino facilities and day-to-day operational services, including casino staffing, for a service fee based on revenue generated. The Corporation also has contractual agreements with 31 commercial, independent and charitable bingo service providers who provide bingo facilities and day-to-day operational services, including bingo staffing, for a service fee based on sales revenue.

The consolidated financial statements of the Corporation include B.C. Lottotech International Inc., a wholly owned subsidiary of British Columbia Lottery Corporation. The primary purpose of B.C. Lottotech is to purchase capital assets for BCLC and there are no operational revenues or expenses.

In fiscal 2004/05, BCLC will make significant economic contributions to British Columbia communities and the Government of British Columbia. These benefits include more than $645 million in prizes to British Columbians, $410 million in commissions and service fees paid to lottery, casino and bingo service

business partners, approximately $175 million in purchase of equipment, goods and services, and $850 million in net income to Government.

These funds are used to support a variety of Government and public service programs, including health care, education, social, charitable, municipal and other programs as noted in Figure 1.

Gaming has also created significant direct and indirect employment opportunities in British Columbia. It is estimated that the gaming industry is responsible for the direct employment of more than 8,500 people and more than 5,000 indirect jobs.

Figure 1: Fiscal 2004/05 Sources of Gaming Income and Distribution (Fiscal 2004/05 Budget)

SOURCE OF NET INCOME		DISTRIBUTION OF NET INCOME	
Lottery	$ 293	Consolidated Revenue	$ 490
Casino	527	Health Special Account	147
Bingo	30	Charity Contribution	133
	$ 850	Municipal Revenue & Economic Development	68
		Problem Gambling	4
		Federal Government	8
			$ 850

Strategic Context

VISION

To Be a Player-Focused, Publicly Respected, Performance-Driven Corporation

MISSION

The mission of British Columbia Lottery Corporation is to provide high-quality gaming entertainment in a socially responsible manner, generating income for the public good

VALUES

INTEGRITY
The games that we offer, and the ways we conduct business, are fair, honest and trustworthy

SOCIAL RESPONSIBILITY
Everything we do is done with consideration of its impact on the people and communities of British Columbia

RESPECT
Our workplace fosters openness, mutual respect and individual development

GOALS

1. To provide high-quality gaming entertainment that generates net income for the public good.
2. To be a socially responsible and respected organization that has a broad base of public support.
3. To be an employer of choice with a high-performance workforce passionately driving the success of our business.

Planning Context

Each year, BCLC analyzes the impact of external and internal environments on the ability to achieve the mission and goals. The purpose of this analysis is to identify key opportunities, risks, strengths and weaknesses that need to be addressed in strategies, operating plans and budgets.

MACRO TRENDS – SCANNING AHEAD

BCLC, like other major businesses, is experiencing significant changes in the environment and marketplace in which it operates. Rapidly evolving technology, increasing competition from both within and outside of British Columbia's borders, the Internet, changing demographics and changes in political and social attitudes are impacting how gaming is conducted and managed in British Columbia.

EXTERNAL RISKS AND OPPORTUNITIES

PRODUCTS AND MARKETS

The Corporation markets three major forms of gaming entertainment in British Columbia — lottery, casino and bingo.

Lotteries have been part of the retail market in British Columbia for more than 30 years and many of its existing brands are beginning to mature. Over the past six years, the lottery business has stalled, with growth averaging 1.4% per annum. The flattening of lottery sales can be traced to a decline in player participation frequency. Past month play has dropped from 67% in fiscal 1998/99 to 56% in fiscal 2003/04.

To rejuvenate the business, BCLC needs to reinvent the lotteries to better meet the needs of players. Key opportunities exist to optimize the current product line, introduce innovative new products, improve the existing retail network and explore new distribution channels.

Casinos have become a significant generator of gaming revenue benefiting British Columbians since the Government policy decision to introduce slot machines in 1997. Revenue has grown from $308 million in fiscal 1998/99 to $733 million in fiscal 2003/04.

There is an opportunity for additional growth of the player base and capturing tourism spending with casinos offering a wider range of entertainment options. BCLC needs to continue the process of transforming facilities to offer fewer, higher quality casinos sized to fit the market.

Bingo, one of the oldest forms of gaming in British Columbia, has been steadily declining over the past several years. This decline has resulted from facilities that are perceived to be poor quality, unappealing and limited in entertainment value. Of British Columbia adults, 78% do not consider bingo an entertainment option and 68% do not consider bingo fun.

BCLC assumed responsibility for commercial bingo in 2002. Pilot programs have generated revenue increases ranging from 5% to 25% through facility upgrades, improved customer service, new products and augmenting basic bingo with additional entertainment. BCLC needs to leverage this key learning to transform bingo and tap into this market potential.

CONSUMERS

The expectations of lottery, casino and bingo players are constantly changing as demographics shift, new trends evolve and economic factors change. A key challenge is the increasing consumer demand for high-quality entertainment products and services. BCLC needs to respond to this demand with innovative new products, enhanced gaming facilities and new distribution channels to reach players. Monitoring and assessing the consumer environment is a key function that will ensure product and distribution strategies deliver enjoyable, socially responsible gaming entertainment.

COMPETITION

Increasing competition for the discretionary dollars of British Columbians will continue to affect BCLC's business environment. Consumers are becoming more sophisticated and knowledgeable about their entertainment options. Delivering high entertainment value and building loyal customer relationships are increasingly important as competitive differentiators.

Competing lotteries, expanded gaming in neighbouring jurisdictions and eGaming present new challenges. Research conducted in fall 2002 estimates British Columbia loses approximately $100 million annually to cross-border casinos offering a wider selection of food and beverage and entertainment facilities and progressive player card programs. It is estimated current Internet gaming revenues are in the range of $7 billion (U.S.) worldwide and will increase to more than $10 billion in the next two to three years.

BCLC's product and distribution strategies are designed to stem losses to competitive gaming options and capitalize on revenue opportunities from emerging forms of entertainment.

TECHNOLOGY

Rapidly evolving communications and entertainment technologies pose both risks and opportunities for BCLC. New technology can lead to new competition, additional costs and changing customer expectations. These new technologies can also enable significant revenue growth and operational efficiencies. BCLC must continue to identify and evaluate the most promising developments in technology.

The Internet has increased competition by opening up historical commercial and geographic barriers to make eGaming opportunities available to players in British Columbia. While this poses a threat, it also offers opportunities for BCLC to introduce new products, tap into new markets and realize new efficiencies in internal processes and business-to-business relationships.

Additional new technologies associated with customer relationship management can also be leveraged to better understand player needs and foster profitable one-to-one relationships with them.

BCLC is acting to understand technology adoption and ensure that enabling technologies and skills are in place to support new revenue opportunities, innovation and operational effectiveness.

PUBLIC ACCEPTANCE

Public consent to operate is critical to achieving BCLC's vision, mission and goals. While over 60% of the population supports gaming as an acceptable adult entertainment activity, approximately 15% object to gaming. BCLC recognizes that the primary reason for existence is to generate income for Government to use in benefiting British Columbians. Government has chosen to operate gaming through a Crown Corporation to ensure the objective of revenue generation is carefully balanced with the objective of social responsibility.

BCLC needs to improve the low level of public recognition of the role BCLC plays in gaming and the emphasis on gaming integrity and responsible gaming. BCLC will enhance its already open and honest communications with the public and key stakeholders to ensure the right gaming model is developed for British Columbia and that products and services bearing the BCLC brand can be trusted for quality and integrity.

RESPONSIBLE PLAY

BCLC and Government recognize that aspects of gaming policy are inherently controversial. Of the total adult population, it is estimated 96% do not have problems with gambling, and most that choose to participate do so for social and recreational purposes. About 4% have varying degrees of gambling problems. BCLC recognizes the need to ensure that problem gambling issues are addressed through public awareness, education, prevention and treatment programs. Over the next three years, BCLC will continue to play a strong leadership role in ensuring that an appropriate problem gambling risk management strategy and programs are in place.

REGULATORY

Gaming in British Columbia is conducted and managed under the framework of the federal Criminal Code and the provincial *Gaming Control Act* (GCA). BCLC must operate within the strict statutory and regulatory guidelines as established by these two legislative documents.

The GCA requires that BCLC consult with host local governments before any new casino or bingo gaming facility is introduced into a community. BCLC recognizes that building local community and stakeholder relationships are critical to achieving success for both BCLC and the local communities where gaming opportunities are being considered.

INTERNAL STRENGTHS AND WEAKNESSES

ORGANIZATONAL CAPABILITY/CAPACITY

The success of BCLC in the future will continue to depend on people and strong leadership to promote a high-performance culture that values innovation, integrity, engagement and accountability. BCLC is currently able to leverage its strong gaming knowledge, expertise and skill advantage in the British Columbia entertainment marketplace. However, as the market becomes increasingly competitive and complex, there is a requirement to improve culture, leadership, innovation and management depth. New skills and competencies will be needed to exploit new business opportunities.

External market shortages of leadership and technical skill are forecasted over the three-year planning period. BCLC needs to ensure competitive recruitment and compensation policies to attract and retain the best and brightest leaders and experts to support the growth agenda.

SYSTEMS

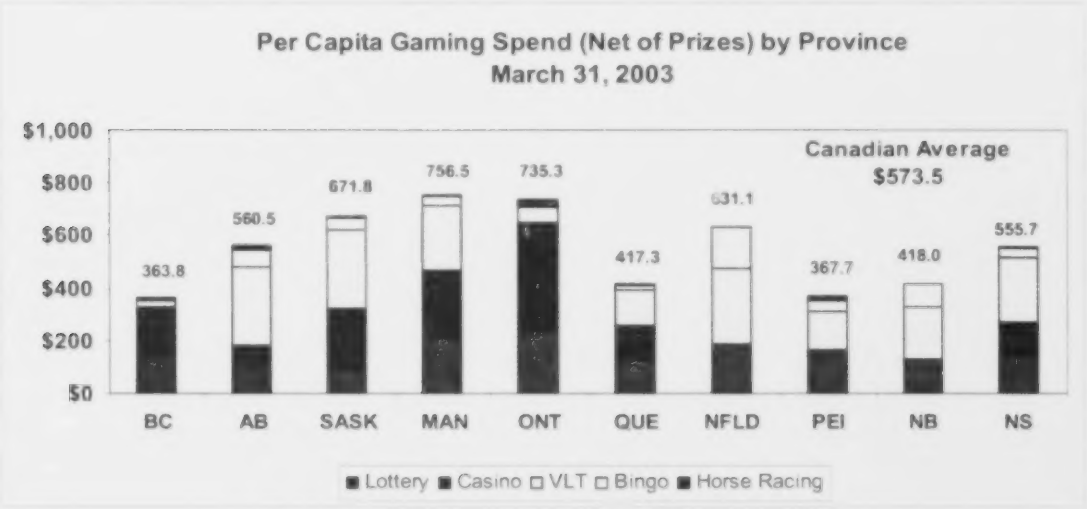
BCLC has a strong technology platform to support current products and the integrity of games and processes. BCLC needs to develop ongoing technology to support the innovative new products in the pipeline. In addition, establishing strong research and development capabilities will be necessary to address the risks and opportunities during the planning period.

DISTRIBUTION CHANNELS

In the past, BCLC has benefited from solid performance from channel members in lottery, casino and bingo. However, recent key issues have surfaced that could negatively impact growth. In lottery, current channels are experiencing declines in consumer traffic. BCLC is working with channel members and service providers to address these issues that could hinder mission and goal achievement.

MARKET DEVELOPMENT – A CANADIAN CONTEXT

While gaming in British Columbia has grown over the last few years, on a per capita basis it is still moderate compared to other provinces in Canada. On a comparison basis with other provinces in Canada, British Columbia ranks 10th in per capita gaming spend (net of prizes). Achievement of the Service Plan over the next three years will result in per capita gaming income in British Columbia moving closer to the Canadian average.



Source: Canadian Gaming News May 2004

Key Strategic Issues

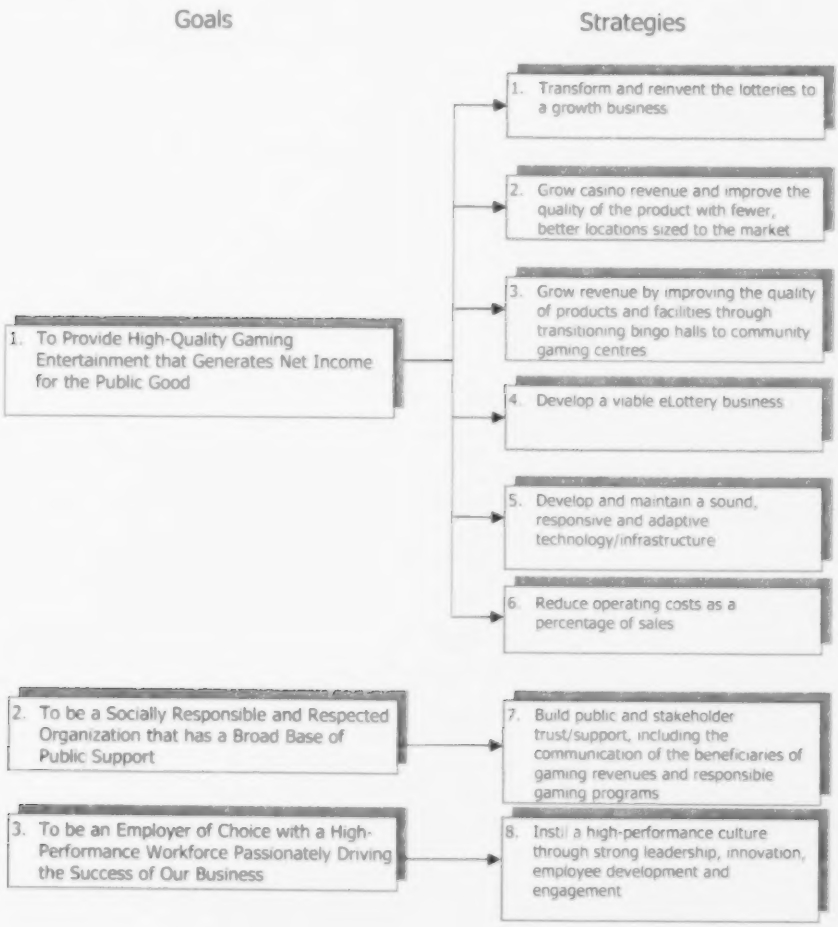
1. Growth
   - Some lottery brands are maturing due to a decline in player participation frequency.
   - Not all casino facilities are in line with market demand.
   - Most bingo facilities are perceived to be poor quality and limited in entertainment value.
2. Competition
   - Increasing competition for the discretionary dollars of British Columbians.
   - Competing lotteries, expanded gaming in neighbouring jurisdictions and eGaming present new challenges.
3. Government Gaming Policy
   - Current Government gaming policy provides for moderate growth in revenues. BCLC's projections for revenue growth are based on current Government policies.
4. Technology
   - Enabling technologies can support new revenue opportunities and operational effectiveness.
5. Public Acceptance
   - Public consent to operate is critical to achieving BCLC's vision, mission and goals.
   - Revenue generation must be carefully balanced with gaming integrity and social responsibility.
6. Organizational Health
   - External market shortages of leadership and technical skill are forecasted over the three-year planning period.
   - Competitive recruitment and compensation policies will be required to attract and retain the best and brightest leaders and experts to support the growth agenda.
7. Local Government Approvals
   - Local governments must provide approval for acceptance or relocation of casinos and bingo halls.
   - Delays or inability to obtain such approvals present a risk to delivering on revenue targets.

Goals, Strategies, Performance Measures and Targets

BCLC has established a focused set of goals, strategies, performance measures and targets to be achieved over the next three years. The goals flow from BCLC's vision and mission and state the overall intended results of the Service Plan. The strategies describe the key initiatives that will be implemented to achieve the goals. Specific performance measures and targets translate the goals into more specific outcomes and quantify annual progress towards achieving them.

BCLC continues to incorporate principles of the Balanced Scorecard throughout the strategic planning process. This approach optimizes the creation of value by viewing BCLC along five key dimensions: Financial, Customer, Public, Business Processes and Learning & Growth (Employees, Technology, and Innovation).

To improve clarity and focus, this year's Service Plan has reduced the number of goals from five to three and performance measures from 16 to 12. Supporting strategies have also been fine-tuned versus the strategies reported in last year's plan. The plan is aligned with Government gaming policy and reflects input and guidance from the Board of Directors.


Goals
Strategies
1. To Provide High-Quality Gaming Entertainment that Generates Net Income for the Public Good
1. Transform and reinvent the lotteries to a growth business
2. Grow casino revenue and improve the quality of the product with fewer, better locations sized to the market
3. Grow revenue by improving the quality of products and facilities through transitioning bingo halls to community gaming centres
4. Develop a viable eLottery business
5. Develop and maintain a sound, responsive and adaptive technology/infrastructure
6. Reduce operating costs as a percentage of sales
2. To be a Socially Responsible and Respected Organization that has a Broad Base of Public Support
7. Build public and stakeholder trust/support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs
3. To be an Employer of Choice with a High-Performance Workforce Passionately Driving the Success of Our Business
8. Instil a high-performance culture through strong leadership, innovation, employee development and engagement

GOAL #1 TO PROVIDE HIGH-QUALITY GAMING ENTERTAINMENT THAT GENERATES NET INCOME FOR THE PUBLIC GOOD

STRATEGIES

- Transform and reinvent the lotteries to a growth business.
- Grow casino revenue and improve the quality of the product with fewer, better locations sized to the market.
- Grow revenue by improving the quality of products and facilities through transitioning bingo halls to community gaming centres.
- Develop a viable eLottery business.
- Develop and maintain a sound, responsive and adaptive technology/infrastructure.
- Reduce operating costs as a percentage of sales.

PERFORMANCE MEASURES	FISCAL 03/04 ACTUAL	FISCAL 04/05 FORECAST /BASELINE	FISCAL 05/06 PROJECTION	FISCAL 06/07 PROJECTION	FISCAL 07/08 PROJECTION
Revenue, Total (000s)	$1,889.6	$2,068.5	$2,250.0	$2,430.0	$2,645.0
Lottery	960.4	940.0	970.0	1,050.0	1,210.0
Casino	733.5	925.0	1,050.0	1,125.0	1,165.0
Bingo	195.7	203.5	230.0	255.0	270.0
Operating Cost Ratio (%)	4.8	4.8	4.8	4.7	4.6
Net Income (000s)	$727.5	$850.0	$900.0	$950.0	$1,030.0
Lottery	288.9	282.6	279.7	280.9	323.3
Casino	418.3	548.9	590.0	627.5	658.2
Bingo	20.3	18.5	30.3	41.6	48.5
Profit Margin (%)	38.5	41.1	40.0	39.1	38.9
FTEs	560	572	593	600	600
Player Participation (%)	61	62	63	65	67
Player Satisfaction (%)	82	85	88	90	90

GOAL #2 TO BE A SOCIALLY RESPONSIBLE AND RESPECTED ORGANIZATION THAT HAS A BROAD BASE OF PUBLIC SUPPORT

STRATEGIES

- Build public and stakeholder trust/support, including the communication of the beneficiaries of gaming revenues and responsible gaming programs.

PERFORMANCE MEASURES	FISCAL 03/04 ACTUAL	FISCAL 04/05 FORECAST /BASELINE	FISCAL 05/06 TARGET	FISCAL 06/07 TARGET	FISCAL 07/08 TARGET
Public Support of BCLC (%)	71	72	73	75	76
Public Support of Gaming (%)	58	59	60	65	66
Public Recognition of Social Responsibility (%)	59	60	60	65	66
Public Awareness of Beneficiaries of Gaming (%)	35	40	45	50	52

GOAL #3 TO BE AN EMPLOYER OF CHOICE WITH A HIGH-PERFORMANCE WORKFORCE PASSIONATELY DRIVING THE SUCCESS OF OUR BUSINESS

STRATEGIES

- Instil a high-performance culture through strong leadership, employee development and engagement and competitive compensation policies.

PERFORMANCE MEASURES	FISCAL 03/04 ACTUAL	FISCAL 04/05 FORECAST /BASELINE	FISCAL 05/06 TARGET	FISCAL 06/07 TARGET	FISCAL 07/08 TARGET
Employee Engagement (%)	56	70	75	80	82

Alignment with Government's Strategic Plan

This section provides an overview of how BCLC contributes to the Government's 2004/05 – 2006/07 Strategic Plan.

GOVERNMENT STRATEGIC PLAN **BCLC SERVICE PLAN**

GOVERNMENT GOALS	BCLC ALIGNMENT
A strong and vibrant provincial economy	• Fiscal 2005/06 net income projected at $900 million • Gaming supports an estimated 8,500 direct jobs and another 5,000 indirect jobs in the province • Excluding prizes, over 75% of expenditures paid to private sector partners • Strategic partnerships with businesses in British Columbia
A supportive social fabric	• Gaming revenues provide funding to over 5,000 charitable and community organizations • Strong focus on responsible gaming
Safe, healthy communities and a sustainable environment	• Gaming revenues provide significant funding for core government programs including, health care and education • BCLC is committed to responsible play and players have access to information with respect to the risks of gaming
KEY STRATEGIC THEMES	**BCLC ALIGNMENT**
High standards of accountability and ethics	• Corporate values that focus on integrity and accountability
Focused and efficient delivery of Government services	• Strategic initiative that focuses on operational excellence in our people, our practices and systems • Reduction in operating costs from 4.8% to 4.6% over the next three years
Social and fiscal responsibility	• Strategic initiative that focuses on our commitment to socially responsible gaming and long-term stewardship of British Columbia's gaming industry
Open and transparent Government	• Open communications with the public, business partners and consumers
Innovative and goal-oriented public service	• Strategic initiative that focuses on high performance and innovation
Government is innovative, enterprising, results-oriented and accountable	• Corporate behaviours that focus on striving for excellence, the courage to innovate and a passion and focus on growth and results

Summary Financial Outlook

REVENUE ($ IN THOUSANDS)	FISCAL 03/04 ACTUALS	FISCAL 04/05 FORECAST	FISCAL 05/06 TARGET	FISCAL 06/07 TARGET	FISCAL 07/08 TARGET
Lottery	$960,400	$940,000	$970,000	$1,050,000	$1,210,000
Casino	733,500	925,000	1,050,000	1,125,000	1,165,000
Bingo	195,700	203,500	230,000	255,000	270,000
TOTAL REVENUES	**$1,889,600**	**$2,068,500**	**$2,250,000**	**$2,430,000**	**$2,645,000**
Lottery	671,500	657,300	690,300	769,100	886,700
Casino	315,200	376,100	460,000	497,400	506,700
Bingo	175,400	185,100	199,700	213,500	221,600
TOTAL EXPENSES	**$1,162,100**	**1,218,500**	**1,350,000**	**1,480,000**	**1,615,000**
Lottery	288,900	282,600	279,700	280,900	323,300
Casino	418,300	548,900	590,000	627,500	658,200
Bingo	20,300	18,500	30,300	41,600	48,500
TOTAL NET INCOME	**$727,500**	**$850,000**	**$900,000**	**$950,000**	**$1,030,000**
Capital Expenditures	**$49,000**	**$104,000**	**$100,000**	**$60,000**	**$60,000**

KEY ASSUMPTIONS
• BCLC will be successful in reinventing and transforming the lottery to a growth business
• Revenue and net income assumptions are based on BCLC obtaining all necessary host local government approvals required under the *Gaming Control Act* for the relocation or opening of new gaming facilities
• The Hastings Park Racetrack casino will open with 600 slot machines in December 2005
• BCLC will be successful in transforming the bingo business to higher entertainment value community gaming centres

FORECAST RISKS AND SENSITIVITIES
• Under the *Gaming Control Act*, local governments must provide the approval for acceptance or relocation of casinos and bingo halls. Delays or the inability to obtain the necessary local government approvals present a risk to delivering on revenue targets. BCLC estimates that approximately $100 million of projected net income may be at risk for fiscal 2005/06 if there are delays in obtaining local government approvals or delays in build-out of casino and bingo facilities by our service providers.
• The rate of growth in disposable income, unemployment and consumer confidence will continue to impact BCLC's revenue growth. The forecast growth of British Columbia Real Gross Domestic Product over the planning period is as follows: 2005 – 3.1% 2006 – 3.0% 2007 – 3.0% 2008 – 3.0%
• Assumes that casino revenues are not further impacted by cross-border competition
• Assumes that unregulated Internet gaming will not become a significant competitive threat to British Columbia gaming revenues over the next three-year period

Major Capital Information

CAPITAL EXPENDITURES ($ IN MILLIONS)					
FISCAL 03/04 ACTUAL	FISCAL 04/05 BUDGET	FISCAL 04/05 PROJECTION	FISCAL 05/06 BUDGET	FISCAL 06/07 TARGET	FISCAL 07/08 TARGET
$ 49.0	$ 75.0	$104.0	$100.0	$ 60.0	$ 60.0

The majority of the Corporation's capital expenditures are required to support lottery, casino and bingo gaming operations. The increase in capital expenditures in fiscal 2004/05 was the result of additional gaming equipment required for development of community gaming centres.

The Corporation has no plans for individual capital programs that exceed $50 million.

Appendix 1 – Performance Measure Descriptions

FISCAL 2004/05 PERFORMANCE MEASURES

Player Participation

This category measures the gaming participation rate of British Columbia adult residents who have played a lottery game or visited a bingo or casino facility in the province in the past month. This information is obtained through a continuous tracking study completed by an external research supplier.

Player Satisfaction

This category measures overall player satisfaction for the games and facilities offered for sale by the lottery, casino and bingo business units.

Public Support of BCLC

This category measures the percentage of adults surveyed in British Columbia who have a favourable impression of British Columbia Lottery Corporation. In a continuous tracking study conducted by an external research supplier, respondents are asked if their impressions of the Corporation are very favourable, somewhat favourable, somewhat unfavourable, or very unfavourable. Support for BCLC is based on the total mentions of "very favourable" and "somewhat favourable."

Public Support of Gaming

This category measures the percentage of adults in British Columbia who have a positive perception of how gaming is conducted and managed in British Columbia. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "I fully support the existence of legalized gaming in British Columbia." Support for gaming is based on the top three box responses.

Public Recognition for BCLC Social Responsibility

This category measures the percentage of adults in British Columbia who agree that the Corporation markets gaming in a socially responsible way. In a continuous tracking study conducted by an external research supplier, respondents are asked to use a 7-point scale whereby "1" is strongly disagree and "7" is strongly agree to rate the statement, "BCLC goes about marketing its games and products in a socially responsible way." Recognition of social responsibility is based on the top three boxes.

Public Awareness of the Beneficiaries of Gaming

This category measures the percentage of adults in British Columbia who have an awareness of how the income generated by gaming is distributed. In a continuous tracking study conducted by an external research supplier, respondents are asked whether they feel very well informed, somewhat informed, not very well informed or not at all informed about where the money goes. Awareness of the beneficiaries of gaming is based on the total mentions of "very well informed" and "somewhat informed."

Employee Engagement

This category measures the overall engagement of employees of British Columbia Lottery Corporation. Employees will be asked in a survey to rank their level of engagement in the organization over a broad range of attributes, including awareness of Corporate goals and strategies, innovation, empowerment and accountability.

Revenue

This category measures the Corporation's total revenues as reported in the consolidated financial statements.

General Operating Cost Ratio

This category measures the ratio of operating costs as a percentage of sales. Operating costs include all costs, excluding direct costs, amortization, other income and GST.

Net Income

This category measures the Corporation's net income as reported in the consolidated financial statements, in accordance with generally accepted accounting principles.

Profit Margin

This category measures the Corporation's profit margin based on the consolidated financial statements. Profit margin is calculated by dividing net income by total sales.